De Grey Mining Ltd

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ASX/MEDIA RELEASE

SPECTACULAR BASE METAL INDICATORS AT VBZ

HIGHLIGHTS

- **Drilling programme at Vein Breccia Zone ("VBZ") has intersected a mineralized polymetallic epithermal system with gold, silver and base metal mineralization in three out of four holes.**
  - **SM-13-16 with 2.4m of intense silicification with 21.5 g/t silver, 17.1% zinc and 4.2% lead from 135.8m,**
  - **SM-13-14 with 4.3m with 0.4 g/t gold, 21.8 g/t silver, 0.1% zinc and 0.3% lead from 82.3m,**
  - **SM-13-14 with 2.5m with 1.35 g/t gold, 25.0 g/t silver, 0.1% zinc and 0.2% lead (includes 1 metre at 3.7 g/t Au and 50.0 g/t Ag) from 155.3m,**
  - **SM-13-14 with 2.0m with 0.4 g/t gold, 106.5 g/t silver, 0.3% zinc and 0.6% lead (includes 1 metre at 0.6 g/t Au, 164.0 g/t Ag, 0.6% Zn and 1.2% Pb) from 205.9m.**
- **Epithermal related argillic alteration and silicification in top 250m of SM-13-16, intense silicification and sulphide mineralization correlates with edge of CSAMT resistor target.**
- **Latest interpretation shows target resistor is part of a deep seated and strike continuous resistor with extensions to the south.**

De Grey Mining Ltd (**ASX: DEG**) has completed the summer exploration programme covering the Sierra Morena project in the Patagonia region of Argentina.

In addition to the results reported last week from work completed at SM6 the results from the drilling completed at VBZ have now been processed. This drilling programme completed four diamond core holes for 1,043m at the VBZ at De Grey's Sierra Morena project.

In February 2013 De Grey commissioned a report by an epithermal industry expert covering the Sierra Morena project in that report the VBZ prospect was categorized as a polymetallic style epithermal occurrence. Characteristics of this style of mineralization is the elevated levels of zinc (sphalerite) and lead (galena) sulphides in the target zones, increased molybdenum in proximity to the intrusive source of the mineralized fluids and greater silver mineralization.

The results from this recent drilling show that three of the four holes completed at VBZ have returned elevated levels of lead and zinc and that drillholes SM-13-14 and SM-13-16 have intersected a polymetallic epithermal breccia system that is displaying strong sulphide mineralization and epithermal vein textures.

Figure 1: SM 13-16. Breccia at 135.8m with matrix of predominantly galena and yellow sphalerite with minor pyrite and arsenopyrite

These results when layered on the 3D CSAMT model show that sulphide mineralization in the core correlates with the edge of the CSAMT target, the base metal grades indicate the drilling is in a polymetallic vein breccia and the silver and gold grades give rise to the possibility of greater mineralization within this now defined system.

Hole ID	From Depth (m downhole)	Downhole Interval (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)
SM-13-13	**85.7**	**0.6**	**-**	**-**	**3.72**	**0.36**
	121.4	**0.9**	**-**	**24.00**	**6.54**	**1.29**
	137.9	**0.5**	**-**	**19.00**	**10.70**	**14.35**
	153.2	**2.0**	**-**	**-**	**0.58**	**1.38**
	165.2	**2.0**	**-**	**-**	**0.17**	**1.21**
SM-13-14	**82.3**	**4.3**	**0.35**	**21.75**	**0.33**	**0.05**
	155.3	**2.5**	**1.35**	**25.00**	**0.19**	**0.09**
	Including 0.5m @ 3.69 g/t Au, 50 g/t Ag					
	159.8	**1.8**	**0.30**	**40.00**	**0.91**	**0.32**
	Including 0.8m @ 57 g/t Ag and 1.11 % Pb					
	180.6	**1.0**	**0.02**	**8.00**	**0.50**	**2.19**
	205.9	**2.0**	**0.40**	**106.50**	**0.64**	**0.32**
	Including 1.0m @ 164 g/t Ag, 1.22 % Pb and 0.64% Zn					
SM-13-16	**135.8**	**2.4**		**21.50**	**4.15**	**17.07**
	Including 1.0m @ 7.63 % Pb and 30.20 % Zn					
	145.7	**1.1**	**-**	**-**	**0.41**	**1.22**
	223.4	**2.0**	**-**	**-**	**0.95**	**0.23**

Highlights Table

Peter Batten, CEO of De Grey, stated "*The epithermal story at Sierra Morena is starting to be revealed. De Grey in the space of two years has been able to identify a number of prospects, delineate target systems and through geophysics and drilling define these systems and the potential extensions of the mineralization. Importantly for going forward we can see that the deeper we drill the better the mineralization logged but specifically we are now encountering consistent gold and silver mineralization."*

WORK PROGRAMME

Drilling completed at VBZ comprised four new holes (SM-13-13 to SM-13-16) for 1,042.8m (Table 1).

The drilling was designed to test resistivity targets produced from a CSAMT survey completed in March 2013 (refer to ASX Announcement titled **'Exploration Update'** dated 26 March 2013). The original programme was for three holes but after logging the core from SM-13-14 it was decided to extend the programme with a deeper hole, SM-13-16 into the resistive target.

Hole SM-13-13 was designed to test a north trending vein that had been mapped at surface with visible gold and was consistent with a CSAMT resistor (Figure 2).

SM-13-15 was designed to test a large shallow resistor associated with surface geochemical anomalism on the eastern edge of the prospect area.

A 3D shell model of the CSAMT results (produced by Quantec Geoscience 2013) was also reviewed. The 3D model allows plunge predictions to be made and gives a greater indication of the continuity and extent of the resistive anomalies.

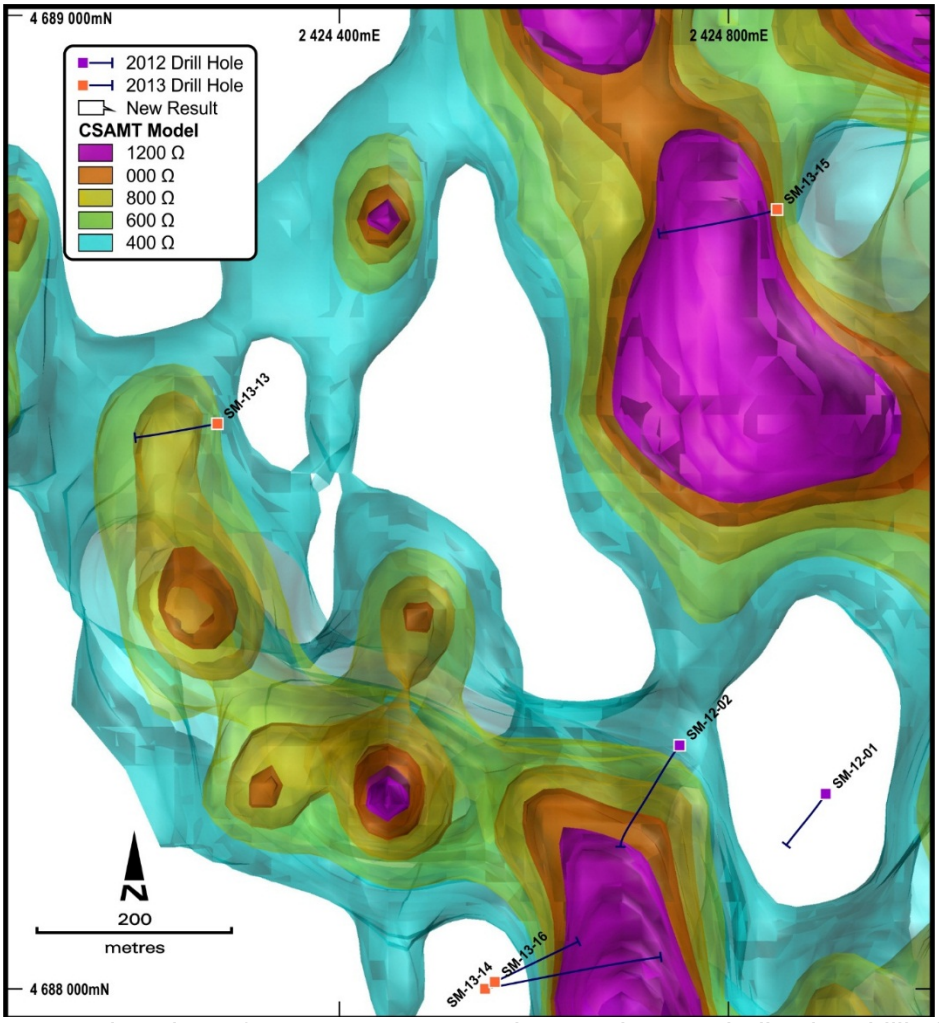

Figure 2: Plan view of 3D CSAMT over Vein Breccia Zone indicating drillholes

RESULTS

The drilling programme at VBZ was designed to test resistive anomalies produced from the Quantec 2013 geophysical survey. These targets were the highest order anomalies produced in the 2013 survey.

VBZ had been categorized as a polymetallic style epithermal prospect (Figure 3) and as such mineralization would be associated with elevated base metal counts and that zinc, lead and molybdenum were telltale indicators for potential gold/silver mineralization.

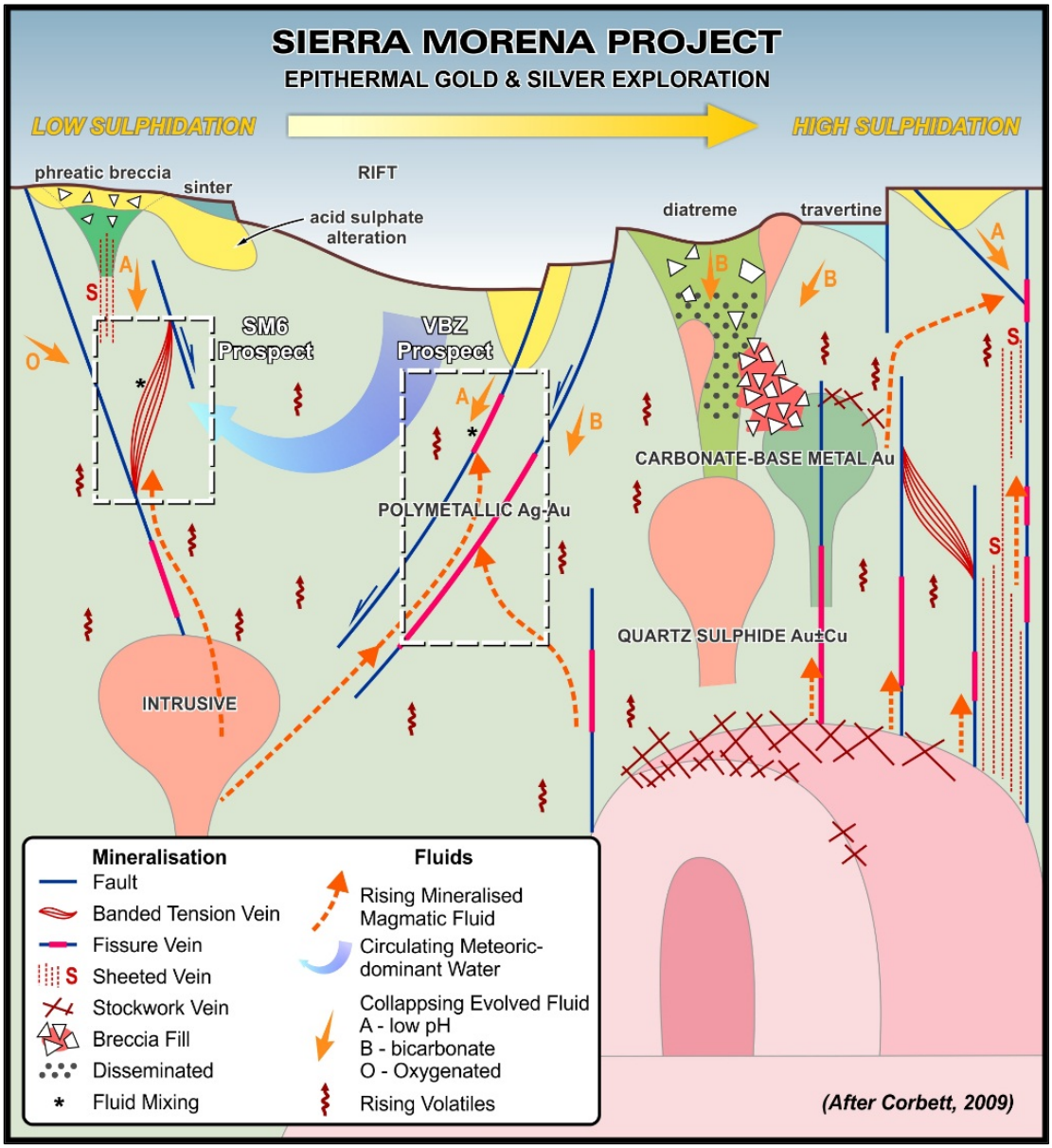

Figure 3: Conceptual model for styles of epithermal Au-Ag mineralization at VBZ and SM6 of the Sierra Morena Project (after Corbett, 2009)

Core assays for holes SM-13-14 and SM-13-16 have returned high silver grades associated with high base metal grades from within the targeted CSAMT resistive anomaly.

The drilling was targeting combined CSAMT resistors and surface geochemistry anomalism. From the collars of holes SM-13-14 and SM-13-16 alteration was evident and as the hole approached the projected position of the CSAMT resistor increasing levels of silicification were intersected. Sulphide mineralization became apparent between 75 to 100m downhole and this and the alteration/silicification remained strong to a depth of 225m downhole before weakening.

Where the drill core breached the CSAMT resistor position, zones of highly siliceous brecciation were encountered up to 5m wide (Figure 4) and within these brecciated sections intense sulphide bands were logged up to 1.0m wide in SM-13-16 (Figure 1) which returned grades of **30.2% Zn and 7.6% Pb** within a 2.4m section of core (135.8 – 138.2m) with **21.5 g/t Ag, 17.1% Zn and 4.2% Pb**.

Figure 4: Strongly silicified spherulitic tuff and breccias within the Chon Aike Fm

In all, multiple zones of mineralization were encountered throughout the brecciated portion of the core (Highlights Table and Table 2) highlighting the further potential for mineralization in this system and the information gained from the logging is aiding in the definition and delineation of what appears from the drilling and geophysics to be a large epithermal target.

Significant highlights from the core logging is the colour of the sphalerite, the presence colloform veinlets and brecciated collofrom banded veining (Figure 5) and the pervasive elevated Molybdenum levels over both holes (Table 2).

Figure 5: Colloform banded veinlets at 165.6m (SM-13-16) and brecciated colloform banded veining in SM-13-14

Yellow sphalerite is a low iron form of the zinc sulphide and is indicative of the temperature of the system. This mineralization is typical of other polymetallic systems worldwide (e.g. Kelian, Indonesia) and conforms that the alteration intercepted in the drilling is within the temperature range for gold and silver mineralization.

Epithermal colloform, banded veining is the most common host of gold and silver mineralization in epithermal systems. The presence of veinlets in the core and brecciated veins suggest that colloform veining exists within the system and that, in the case of the brecciated veins, the fluid responsible for the alteration and mineralization intersected in the drilling has passed through an area of veining.

Elevated Molybdenum is indicative of an intrusive related system with the levels of Molybdenum increasing as proximity to the source increases. The fluids from this intrusive are potential source of mineralization.

The raw CSAMT data and more specifically the 3D model of the CSAMT survey results complement the information derived from the logging and assaying of the drill core.

When modelled in 3D the resistive target can be seen to be deep seated and continuous (Figure 6).

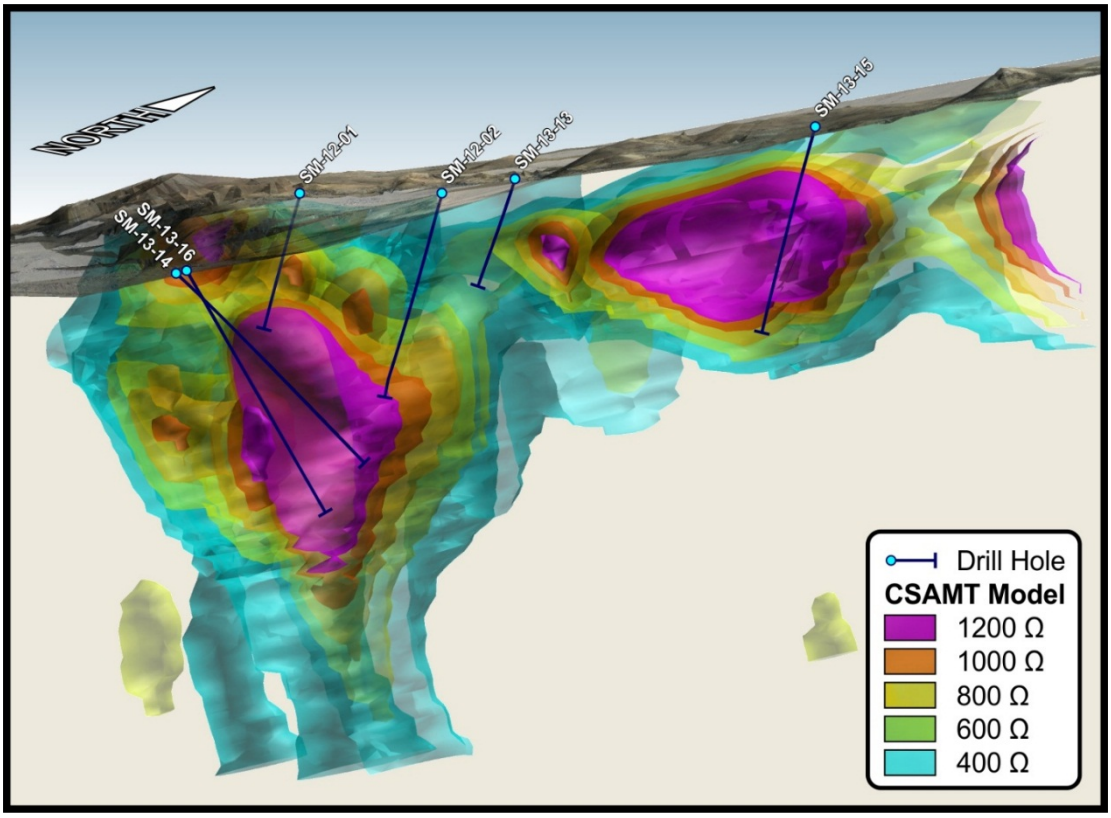

Figure 6: Oblique view of +400 ohm CSAMT resistors with diamond drillholes indicated deep seated CSAMT resistors at drillholes SM-13-14 and SM-13-16

SM-13-14 has intersected the upper portion of the anomaly with mineralization consistent with the projected position of the resistor (Figures 7 and 8).

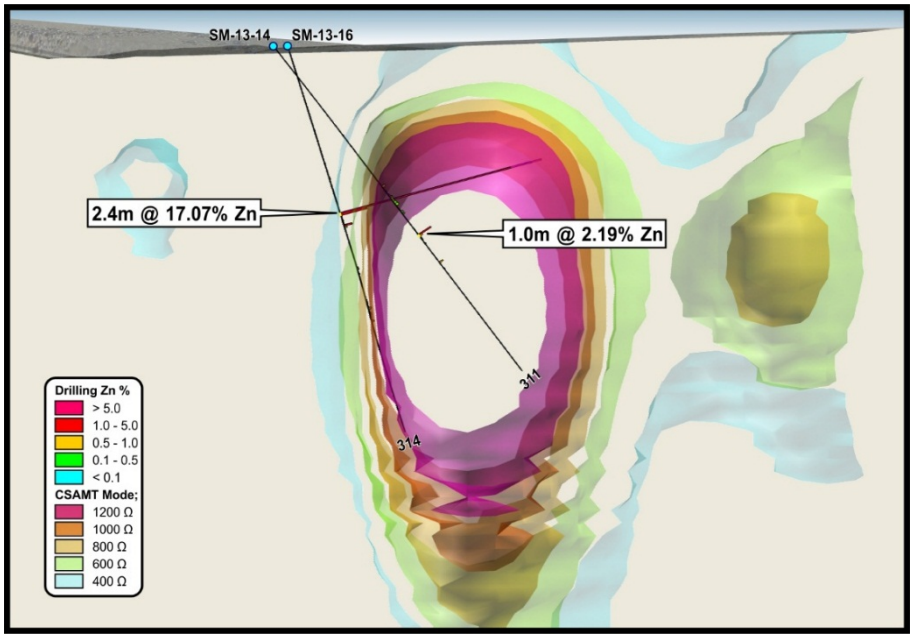

Figure 7: Section view (looking north) of Zn mineralization in drillholes SM13-14 and SM-13-16 and CSAMT resistor

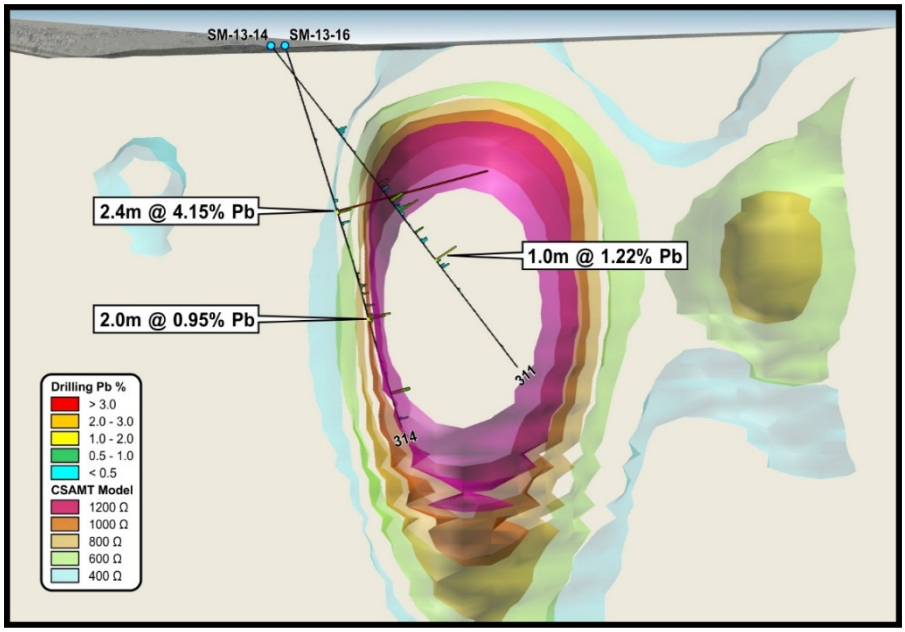

Figure 8: Section view (looking north) of Lead mineralization in drillholes SM13-14 and SM-13-16 and CSAMT resistor

Similarly, SM-13-16 sample results are elevated at the position of the resistor but the drilling does not penetrate the projected anomaly to any great extent.

These two holes have successfully delineated the upper portion and western edge of what can be seen in the CSAMT model to be a large and extensive target. The potential for gold and silver mineralization in the system is open at depth, across the target and extending to the south (Figure 9).

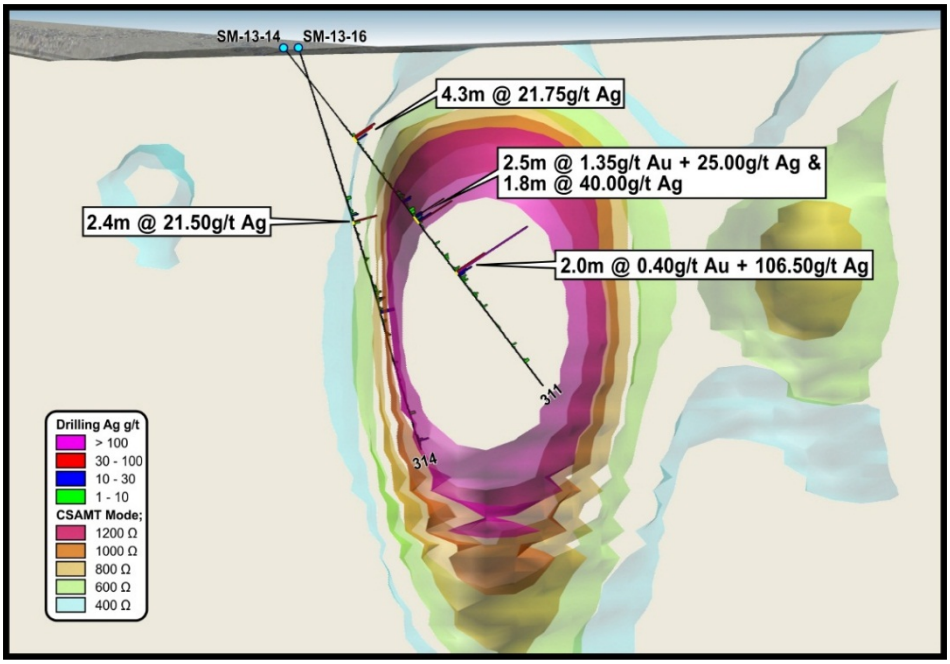

Figure 9: Section view (looking north) of Au and Ag mineralization in drillholes SM13-14 and SM-13-16 and CSAMT resistor

Drillhole SM-13-13 under a north trending surface vein returned elevated silver, zinc and lead grades in multiple but thin zones (Table 2) and the shallow CSAMT resistor targeted by SM-13-15 did not return any significant grades.

The next programme planned for VBZ will test the extensions of the polymetallic epithermal mineralization intercepted in the drillholes SM-13-14 and SM-13-16.

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The information in this report that relates to exploration results is based on information compiled by Mr Peter Batten, who is a Member of the Australasian Institute of Mining and Metallurgy and a full time employee of De Grey Mining Limited. Mr Batten has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code). Mr Batten consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Table 1: Drillhole Data

Prospect	Hole	East	North	Azimuth (°)	Dip (°)	Depth
VBZ	SM-13-13	2424275	4688580	270	-60	167.2
VBZ	SM-13-14	2424550	4688000	90	-60	311.2
VBZ	SM-13-15	2424844	4688796	270	-60	250.2
VBZ	SM-13-16	2424562	4687995	90	-73	314.2

Table 2: Drillhole Sample Results

Drillhole ID	Easting	Northing	Dip	Azi	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (ppm)	As (ppm)	Mo (ppm)
SM-13-13	2424275	4688580	-60	270	5.8	23.3				*No significant results*				
					23.3	24.3	1.0	0.00	0.00	0.21	**0.51**	14.00	60.00	6.00
					24.3	85.7				*No significant results*				
					85.7	86.3	0.6	0.01	4.00	**3.72**	0.36	**1,050.00**	150.00	46.00
					86.3	121.4				*No significant results*				
					121.4	122.3	0.9	0.02	**24.00**	**6.54**	**1.29**	**2,260.00**	170.00	6.00
					122.3	137.9				*No significant results*				
					137.9	138.4	0.5	0.01	**19.00**	**10.70**	**14.35**	173.00	20.00	6.00
					138.4	153.2				*No significant results*				
					153.2	155.2	2.0	0.00	0.00	**0.58**	**1.38**	138.00	10.00	0.00
					155.2	165.2				*No significant results*				
					165.2	167.2	2.0	0.00	0.00	0.17	**1.21**	158.00	160.00	0.00
SM-13-14	2424550	4688000	-55	90	68.3	82.3				*No significant results*				
					82.3	83.4	1.1	**0.46**	**36.00**	0.32	0.02	255.00	260.00	763.00
					83.4	84.4	1.0	**0.42**	**30.00**	0.48	0.03	195.00	280.00	562.00
					84.4	85.5	1.1	0.04	3.00	0.30	0.04	81.00	290.00	110.00
					85.5	86.6	1.1	**0.47**	**18.00**	0.23	0.11	105.00	290.00	91.00
					86.6	132.9				*No significant results*				
					132.9	133.7	0.8	0.21	1.00	0.02	0.04	6.00	230.00	9.00
					133.7	134.4	0.8	0.25	6.00	0.08	0.06	19.00	330.00	32.00
					134.4	136.1	1.7	0.06	6.00	0.56	0.54	341.00	320.00	45.00
					136.1	141.5				*No significant results*				
					141.5	142.3	0.8	0.14	14.00	0.09	0.04	154.00	220.00	41.00
					142.3	143.5	1.2	0.07	12.00	0.33	0.18	59.00	270.00	35.00
					143.5	155.3				*No significant results*				
					155.3	156.3	1.0	0.18	13.00	0.12	0.04	461.00	180.00	31.00
					156.3	156.8	0.5	**3.69**	**50.00**	0.27	0.13	77.00	870.00	129.00
					156.8	157.8	1.0	0.19	12.00	0.17	0.09	50.00	230.00	24.00
					157.8	158.8	1.0	0.13	9.00	0.15	0.05	102.00	290.00	114.00
					158.8	159.8	1.0	0.07	10.00	0.42	0.34	92.00	280.00	125.00
					159.8	160.8	1.0	0.26	**23.00**	0.70	0.26	543.00	370.00	214.00
					160.8	161.6	0.8	0.33	**57.00**	**1.11**	0.38	**1,610.00**	370.00	581.00
					161.6	180.6				*No significant results*				
					180.6	181.6	1.0	0.02	8.00	0.50	**2.19**	148.00	90.00	121.00
					181.6	182.6	1.0	0.01	1.00	0.07	0.58	36.00	80.00	13.00
					182.6	205.9				*No significant results*				
					205.9	206.9	1.0	0.21	**49.00**	0.07	0.01	190.00	10.00	167.00

Drillhole ID	Easting	Northing	Dip	Azi	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (ppm)	As (ppm)	Mo (ppm)
					206.9	207.9	1.0	0.59	**164.00**	**1.22**	0.64	**1,800.00**	360.00	356.00
					207.9	208.9	1.0	0.12	15.00	0.02	0.01	13.00	50.00	53.00
					208.9	209.9	1.0	0.17	**23.00**	0.22	0.03	92.00	70.00	108.00
					209.9	210.9	1.0	0.26	10.00	0.02	0.01	161.00	10.00	47.00
					210.9	311.2				*No significant results*				
SM-13-15	2424844	4688796	-60	270					*No significant results*					
SM-13-16	2424562	4687995	-73	90	42.5	135.8				No significant results				
					135.8	136.8	1.0	0.01	**34.00**	**7.63**	**30.20**	794.00	60.00	436.00
					136.8	138.2	1.4	0.02	9.00	0.67	**3.94**	248.00	90.00	319.00
					138.2	145.7				*No significant results*				
					145.7	146.8	1.1	0.01	3.00	0.41	**1.22**	35.00	40.00	13.00
					146.8	152.2				*No significant results*				
					152.2	152.7	0.5	0.24	1.00	0.02	0.03	0.00	180.00	5.00
					152.7	223.4				*No significant results*				
					223.4	224.4	1.0	0.01	4.00	**1.09**	0.37	186.00	50.00	12.00
					224.4	225.4	1.0	0.02	6.00	0.81	0.09	222.00	80.00	20.00
					225.4	284.6				*No significant results*				
					284.6	286.6	2.0	0.06	8.00	0.95	0.04	14.00	400.00	120.00
					286.6	314.2				*No significant results*				

Samples were analysed by ALS Minerals Laboratories, Mendoza, Argentina. Au was analysed using fire assay and AAS finish of a 30g nominal sample weight. Ag and all other elements (33) were analysed using aqua regia digestion with ICP-AES finish. Note that the aqua regia digestion is limited to determining the acid leachable portion of the elements. Any assays within defined sample intervals that reported less than detection limits were assigned a value of zero (0) when used for calculation of intercepts presented above.